Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

	er P.A. 2 of 1				s Keb	OIL .						
Local Gove	ernment Type		∐Vil	ilage	Other	Local Governme SWAN CR		nt Name EEK TOWNSHIP			INAW	
Audit Date 3/31/05				Dinion Da 6/2/05	ate		Date Accoun	ntant Report Submi	tted to State:			
accordan	ce with the	ne Sta	atement	ts of the	he Govern	mental Accou	unting Star	t and rendered dards Board (gan by the Mich	GASB) and the	ne <i>Uniform</i>	Reporti	ts prepared in
We affirm												
								vernment in Mic	chigan as revis	ed.		
						to practice in	-					
We further	er affirm these	e follo mme	wing. " ndation	'Yes" re ns	esponses h	ave been disc	closed in the	e financial state	ements, includi	ng the notes	, or in th	ne report of
You must	check the	appli	cable b	ox for e	each item b	elow.						
Yes	✓ No	1. (Certain	compo	nent units/	funds/agencie	es of the loc	cal unit are excl	uded from the	financial sta	atement	s.
Yes	✓ No		There a 275 of 1		umulated o	deficits in one	e or more o	of this unit's un	reserved fund	balances/re	tained e	earnings (P.A.
Yes	✓ No		There a		tances of i	non-compliand	ce with the	Uniform Acco	ounting and Bu	udgeting Act	(P.A. :	2 of 1968, as
Yes	Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.						nce Act or its					
Yes	✓ No	5. 7	The loc as ame	cal unit nded [N	holds dep MCL 129.9	osits/investme 1], or P.A. 55 o	ents which of 1982, as	do not comply amended [MC	with statutory L 38.1132]).	requiremen	ts. (P.A	. 20 of 1943,
Yes	✓ No	6.	The loca	al unit l	nas been d	lelinquent in di	istributing t	ax revenues that	at were collecte	ed for anothe	er taxin	g unit.
Yes	✓ No	7. p	ension	n benef	its (normal	costs) in the	current ye	quirement (Arti ar. If the plan i t, no contributio	is more than 1	00% funded	and th	t year earned e overfunding
Yes	√ No			cal unit 29.241		lit cards and	has not ac	dopted an appl	licable policy a	as required	by P.A.	266 of 1995
Yes	✓ No	9.	The loca	al unit l	nas not add	opted an inves	stment polic	cy as required b	y P.A. 196 of	1997 (MCL 1	29.95).	
We have	enclosed	l the f	ollowin	ng:					Enclosed	To Be Forward		Not Required
The lette	r of comm	ents a	nd reco	ommen	dations.				1			
Reports	on individu	ıal fed	eral fina	ancial a	assistance	programs (pro	ogram audi	ts).				√
Single Audit Reports (ASLGU).					√							
BERTH	ublic Account	•	,									
Street Add	ress RROW L	ANE						City SAGINAW		State MI	ZIP 4863	8
Accountant Signature Son Nach a. Stuthmond					Date 8-2	-03						

SWAN CREEK TOWNSHIP

Saginaw County, Michigan

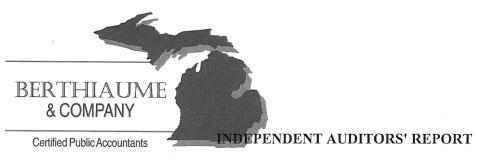
FINANCIAL STATEMENTS

March 31, 2005

TOWNSHIP OF SWAN CREEK

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To the Township Board Township of Swan Creek Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Swan Creek, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Swan Creek's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Swan Creek, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Swan Creek's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

June 2, 2005

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STATEMENT OF NET ASSETS

March 31, 2005

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 787,327	\$ 452,681	\$ 1,240,008
Investments	273,456	273,608	547,064
Receivables	41,098	129,394	170,492
Internal balances	25,814	(25,814)	-
Prepaid items and other assets	7,660	-	7,660
Inventory	-	9,895	9,895
Restricted cash and cash equivalents Capital assets:	-	75,122	75,122
Nondepreciable capital assets	126,904	_	126,904
Depreciable capital assets, net	108,661	2,656,954	2,765,615
Total assets	1,370,920	3,571,840	4,942,760
Liabilities:			
Accounts payable and accrued expenses	108,082	15,043	123,125
Long-term liabilities:		4 6 0 0 0	45.000
Due within one year	-	46,000	46,000
Due in more than one year	-	133,000	133,000
Total liabilities	108,082	194,043	302,125
Net assets:			
Invested in capital assets, net of related debt	235,565	2,477,954	2,713,519
Restricted for:			
Debt service	-	75,122	75,122
Unrestricted	1,027,273	824,721	1,851,994
Total net assets	\$ 1,262,838	\$ 3,377,797	\$ 4,640,635

TOWNSHIP OF SWAN CREEK

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

			Program Revenues			_		
	<u></u>	Expenses		harges for Services				(Expense) Revenue
Functions/Programs PRIMARY GOVERNMENT: Governmental activities:								
General government	\$	192,409	\$	29,175	\$	_	\$	(163,234)
Public safety		123,909		28,780		1,018		(94,111)
Public works		152,356		100,631		4,147		(47,578)
Community and economic development		7,315		2,355		-		(4,960)
Recreation and culture		15,492		725		1,125	_	(13,642)
Total governmental activities		491,481		161,666		6,290		(323,525)
Business-type activities:								
Water	_	248,835		354,785				105,950
Total business-type activities		248,835		354,785				105,950
Total primary government	\$	740,316	\$	516,451	\$	6,290	\$	217,575

continued

	Governmento Activities		Total
Changes in net assets:			
Net (Expense) Revenue	\$ (323,525)	\$ 105,950	\$ (217,575)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	66,677	-	66,677
Property taxes, levied for fire protection	100,131	-	100,131
Payment in lieu of property taxes	40	-	40
Franchise taxes	16,700	-	16,700
Grants and contributions not restricted to			
specific programs	164,484	-	164,484
Unrestricted investment earnings	6,111	8,207	14,318
Miscellaneous	60		60
Total general revenues, contributions,			
special items, and transfer	354,203	8,207	362,410
Change in net assets	30,678	114,157	144,835
Net assets, beginning of year	1,232,160	3,263,640	4,495,800
Net assets, end of year	\$ 1,262,838	\$ 3,377,797	\$ 4,640,635

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	General Refuse Fund Fund			Total Governmental Funds		
Assets:	ф	506 127	Ф	100.000	Ф	707.227
Cash and cash equivalents	\$	596,437	\$	190,890	\$	787,327
Investments		273,456		-		273,456
Taxes receivable		9,326		-		9,326
Accounts receivable		-		6,540		6,540
Due from other governmental units		25,232		7.660		25,232
Prepaid expenditures Advance receivable		25.01.4		7,660		7,660
Advance receivable		25,814			_	25,814
Total assets	\$	930,265	\$	205,090	\$	1,135,355
Liabilities and Fund Balances: Liabilities:						
Accounts payable and accrued expenses	\$	12,370	\$	12,825	\$	25,195
Due to other governmental units	Ψ	5,470	Ψ	-	Ψ	5,470
Deposits payable		77,417				77,417
Total liabilities		95,257		12,825		108,082
Fund balances:						
Reserved for:						
Prepaid expenditures		-		7,660		7,660
Advances receivable		25,814		-		25,814
Unreserved:						
General fund		809,194		-		809,194
Special revenue funds		-	_	184,605	_	184,605
Total fund balances		835,008	_	192,265		1,027,273
Total liabilities and fund balances	\$	930,265	\$	205,090	\$	1,135,355

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

\$ 1,027,273

Total net assets reported for governmental activities in the statement of of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets
Less accumulated depreciation

279,399

(43,834) 235,565

Net assets of governmental activities

\$ 1,262,838

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2005

	General Fund		Refuse Fund		•	
Revenues:						
Taxes	\$	189,763	\$	-	\$	189,763
Licenses and permits		45,625		-		45,625
State grants		173,059		-		173,059
Charges from services		3,183		96,798		99,981
Fines and forfeits		110		-		110
Interest and rents		4,935		1,901		6,836
Other revenue		3,952		3,833		7,785
Total revenues		420,627		102,532		523,159
Expenditures:						
Current:						
General government		187,114		-		187,114
Public safety		123,909		-		123,909
Public works		65,333		87,863		153,196
Community and economic development		7,315		-		7,315
Recreation and culture		12,347		-		12,347
Capital outlay		11,043		1,599		12,642
Total expenditures		407,061		89,462		496,523
Excess (deficiency) of revenues over expenditures		13,566		13,070		26,636
Fund balances, beginning of year, as restated		821,442		179,195		1,000,637
Fund balances, end of year	\$	835,008	\$	192,265	\$	1,027,273

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2005

Net change in fund balances - total governmental funds	\$	26,636
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay 8,335		
Less depreciation expense (5,293)	4,042
Change in net assets of governmental activities	\$	30,678

PROPRIETARY FUND

STATEMENT OF NET ASSETS

March 31, 2005

	Major Enterprise Fund
	Water <u>Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 452,681
Investments Accounts receivable	273,608 26,717
Special assessments receivable	24,362
Accrued interest receivable	3,764
Inventory	9,895
Total current assets	791,027
Noncurrent assets:	
Restricted cash and cash equivalents	75,122
Special assessments receivable	74,551
Capital assets: Nondepreciable capital assets	
Depreciable capital assets, net	2,656,954
Total noncurrent assets	2,806,627
Total assets	3,597,654
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	14,168
Deposits payable	875
Current portion of long-term debt	46,000
Total current liabilities	61,043
Noncurrent liabilities:	
Advance payable	25,814
Long-term debt	133,000
Total noncurrent liabilities	158,814
Total liabilities	219,857
Net assets:	
Invested in capital assets, net of related debt	2,477,954
Restricted for:	75 100
Debt service Unrestricted	75,122 824,721
Total net assets	\$ 3,377,797

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Ended March 31, 2005

	Major Enterprise Fund
	Water Fund
Operating revenues:	
Charges for services	\$ 243,180
Penalties	3,480
Other	20,908
Total operating revenues	267,568
Operating expenses:	
Personnel	19,585
Fringe benefits	3,296
Supplies	8,595
Contracted services	34,402
Purchase of water	97,613
Mileage	17
Dues and membership fees	250
Printing and publishing	73
Repair and maintenance	8,941
Depreciation	52,408
Total operating expenses	225,180
Operating income (loss)	42,388
Non-operating revenues (expenses):	
Investment income	8,207
Interest income earned on special assessments	7,892
Capital contributions - Connection fees/Line construction	79,325
Interest expense	(23,655)
Total non-operating revenues (expenses)	71,769
Net income (loss) before operating transfers	114,157
Net assets, beginning of year	3,263,640
Net assets, end of year	\$ 3,377,797

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2005

	<i>E</i>	Major nterprise Fund
		Water Fund
Cash flows from operating activities:		
Cash received from customers	\$	267,834
Cash payments to employees		(19,585)
Cash payments to suppliers for goods and services		(150,418)
Net cash provided (used) by operating activities	_	97,831
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(161,302)
Principal paid on long-term debt		(76,000)
Payment on advance		(20,000)
Interest paid		(23,655)
Payments received on special assessments		29,619
Interest earned on special assessmetns Payments received for water line connections and construction		7,892 79,325
•		
Net cash provided (used) by capital and related financing activities		(164,121)
Cash flows from investing activities: Interest received		8,207
Net cash provided (used) by investing activities		8,207
Net increase (decrease) in cash and cash equivalents		(58,083)
Cash and cash equivalents, beginning of year		859,494
Cash and cash equivalents, end of year	\$	801,411
Reconciliation of operating income (loss) to net cash		
provided (used) by operating activities:		
Operating income (loss)	\$	42,388
Adjustments:		
Depreciation		52,408
Changes in assets and liabilities:		
Accounts receivable		(1,818)
Special assessments receivable		1,484
Inventory		(1,218)
Accounts payable and accrued expenses		3,987
Deposits payable		600
Net cash provided (used) by operating activities	<u>\$</u>	97,831

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWAN CREEK

FIDUCIARY FUND

STATEMENT OF NET ASSETS

March 31, 2005

	Agency Fund
Assets: Cash and cash equivalents	\$ 4,122
Total assets	4,122
Liabilities: Accounts payable and accrued expenses	4,122
Total liabilities	4,122
Net Assets: Unrestricted	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Township of Swan Creek conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

JOINT OPERATIONS:

St. Charles District Library - The Townships of Swan Creek, Brant, and St. Charles jointly established the St. Charles District Library in 1978. Each township appoints two members to serve as Library trustees.

Tri-Township Fire Department - The Townships of Swan Creek, Brant, and St. Charles jointly established the Tri-Township Fire Department. Each member appoints two representatives to serve on the administrative board of the Fire Department.

Swan Creek Township, James Township, and Village of St. Charles Water Authority - The Townships of Swan Creek and James and the Village of St. Charles in 2001 jointly established this Water Authority. Each of the three municipalities appoints two members to serve on the Water Authority Board. The operating and capital budgets are funded by equal contributions from each governmental unit. Each unit's share of assets, liabilities, and fund equity is thirty-three and a third percent.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

March 31, 2005

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

March 31, 2005

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Refuse Fund** is used to account for the revenues collected to provide refuse service to property owners.

The Township reports the following major enterprise fund:

The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

March 31, 2005

<u>Interfund Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Inventories and Prepaid Items</u> — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

<u>Compensated Absences</u> – The Township does not allow the carryover of unused sick or vacation days.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

March 31, 2005

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2004 taxable valuation of the Township totaled \$73,364,294 on which ad valorem taxes levied consisted of .9252 mills for the Township's operating purposes and 1.50 mills for fire protection services.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
- 4. Any revision that alters the total expenditures of any fund must be approved by the Township.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

March 31, 2005

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004	\$ -
Current year building permit revenue	24,785
Related expenditures:	
Direct costs	(22,493)
Indirect costs	 (3,658)
Cumulative surplus at March 31, 2005	\$

NOTE 3: DEPOSITS AND INVESTMENTS

The Township's deposits at March 31, 2005 are included in the statement of net assets under the following categories:

	Governmental <u>Activities</u>		siness-type Activities	 Totals
Cash and cash equivalents	\$	787,327	\$ 452,681	\$ 1,240,008
Investments		273,456	273,608	547,064
Restricted cash and equivalents		_	75,122	 75,122
	\$	1,060,783	\$ 801,411	\$ 1,862,194

Deposits:

The breakdown in deposits for the Township is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 1,314,930
Investments in securities, mutual funds, and similar vehicles	547,064
Petty cash and cash on hand	200
	\$ 1,862,194

March 31, 2005

The deposits of the primary government were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,319,636, of which \$342,065 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The Township believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Township or its agent in the Township's name:

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

	Risk Category					Fair Value Carrying		
		1			2	3		 Amount
Government and agency bonds	\$		-	\$	167,037	\$	-	\$ 167,037
Investments not subject to categorization: Linsco/Private Ledger:								
Money Market								8,685
Mutual Funds								371,342
Total investments								\$ 547,064

Deposits and investments have been made in accordance with statutory authority.

NOTE 4: RESTRICTED CASH AND RESERVE FOR DEBT SERVICE

The Water Fund has \$75,122 of restricted cash in the water extension debt service accounts.

March 31, 2005

NOTE 5: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 119,168	\$ 7,736	\$ -	\$ 126,904	
Depreciable capital assets					
Buildings and improvements	125,758	-	-	125,758	
Equipment	25,138	1,599		26,737	
	150,896	1,599	-	152,495	
Accumulated depreciation:	(38,541	(5,293)		(43,834)	
Total depreciable capital assets, net	112,355	(3,694)		108,661	
Governmental activities, capital assets, net	\$ 231,523	\$ 4,042	\$ -	\$ 235,565	
	Beginning Balance	Additions	Retirements	Ending Balance	
Business-type activities:					
Depreciable capital assets:					
Buildings and improvements	\$ 7,700	\$ -	\$ -	\$ 7,700	
Equipment	43,748	-	-	43,748	
Distribution system	3,194,067	161,303		3,355,370	
Total capital assets	3,245,515	161,303	-	3,406,818	
Accumulated depreciation:	(689,755	(52,408)		(742,163)	
Depreciable capital assets, net	2,555,760	108,895		2,664,655	
Business-type activities, capital assets, net	\$ 2,555,760	\$ 108,895	\$ -	\$ 2,664,655	

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 2,663
Public Works	160
Recreation and culture	 2,470
Total governmental activities	\$ 5,293
Business-type activities:	
Water	\$ 52,408
Total business-type activities	\$ 52,408

March 31, 2005

NOTE 6: LONG-TERM LIABILITIES

The Township has installment contracts with Saginaw County that were used to finance water line construction. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2005 consisted of the following:

Types of Indebtedness	Maturity	Interest Rate	Annual Principal Installments	Original Loan Amount	Outstanding at Year-End
Business-type Activities					
Contracts Payable - Saginaw County					
1991 Issue - Water extension # 11	5/1/05	7.40%	6,000	82,000	6,000
1992 Issue - Water extension # 12	5/1/05-5/1/06	7.10-7.15%	13,000	185,000	26,000
1995 Issue - Water extension # 14	6/1/05	4.75%	7,000	57,000	7,000
1996 Issue - Water extension # 15	6/1/05-6/1/11	5.20-5.75%	20,000	280,000	140,000

The following is a summary of long-term liabilities transactions for the year ended March 31, 2005:

	eginning Balance	A	dditions	Re	tirements_		Ending Balance	 ie Within One Year
Business-type activities:								
Contracts payable:								
1991 Issue	\$ 12,000	\$	-	\$	(6,000)	\$	6,000	\$ 6,000
1992 Issue	39,000		-		(13,000)		26,000	13,000
1995 Issue	14,000	\$	-		(7,000)	\$	7,000	\$ 7,000
1996 Issue	 160,000		-		(20,000)	_	140,000	20,000
Total business-type activities								
- long-term liabilities	\$ 225,000	\$		\$	(46,000)	\$	179,000	\$ 46,000

Annual debt service requirements to maturity for the above contractual obligations are as follows:

Year Ended	Business-Type Activities							
March 31,		Principal Interest				Total		
2006	\$	46,000	\$	8,949	\$	54,949		
2007		33,000		6,585		39,585		
2008		20,000		5,050		25,050		
2009		20,000		3,960		23,960		
2010		20,000		2,850		22,850		
2011		20,000		1,720		21,720		
2012		20,000		575		20,575		
	\$	179,000	\$	29,689	\$	208,689		

TOWNSHIP OF SWAN CREEK

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	Governmental <u>Activities</u>		Business-Type Activities	
Receivables:				
Taxes	\$	9,326	\$	-
Accounts		6,540		26,717
Special assessments		-		98,913
Accrued interest		-		3,764
Intergovernmental		25,232		
Total receivables	\$	41,098	\$	129,394
Accounts payable and accrued expenses:				
Accounts	\$	15,126	\$	9,238
Payroll and related liabilities		10,069		4,930
Deposits payable		77,417		875
Intergovernmental		5,470		
Total accounts payable and accrued expenses	\$	108,082	\$	15,043

NOTE 8: INTERFUND ADVANCES

The composition of interfund advances receivable and payable at March 31, 2005 is as follows:

Receivable Fund	Payable Fund	Amount		
General Fund	Water Fund	\$	25,814	

This amount represents the remaining balance due on a loan made to finance the construction of Water Extension # 17.

March 31, 2005

NOTE 9: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters.

The Township manages its workers compensation risk by purchasing commercial insurance and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

1. Michigan Municipal Employees Retirement System

a) Plan Description

The Township contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries.

All employees earning more than \$5,000 in compensation with more than three months continuous service are eligible to participate in the plan. Benefits vest after 8 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as emended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

March 31, 2005

b) Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township board and personnel policy, which requires employees to contribute at a rate of 5% of gross pay. The Township is required to contribute at an actuarially determined rate; the current rate was 11.57 percent of eligible payroll based on the December 31, 2002 valuation.

c) Annual Pension Cost

During the fiscal year ended March 31, 2005, the Township's contributions totaling \$12,499 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

d) Three Year Trend Information

Year Ended March 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 12,499	100%	\$ 0
2004	11,053	100%	0
2003	9,385	100	0

Post Employment Benefits:

The Township has no post employment benefits other than the pension plan described above.

NOTE 11: FUND EQUITY

Specific reservations of fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

<u>Reserved for advances receivable</u> – This reserve was created to indicate the portion of fund balance represented by advances receivable that is not available for appropriation.

March 31, 2005

NOTE 12: PRIOR PERIOD ADJUSTMENTS

Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 3/31/04	\$	799,398
Add: State shared revenue for sales tax that should have accrued to prior year	_	22,044
Fund balance, restated, as of 3/31/04	\$	821,442

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements:

The beginning net assets of the enterprise fund were derived by aggregating the previously reported retained earnings and contributed capital of that fund.

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of the general fund and refuse fund as of 3/31/04, as restated.	\$ 1,000,637
Add: Governmental capital assets, including general fixed assets	270,064
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	(38,541)



BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts						O v	Actual er (Under)
	Original		Final		Actual		Final Budget	
Revenues:								
Property taxes	\$	174,790	\$	174,790	\$	189,763	\$	14,973
Licenses and permits		30,910		30,910		45,625		14,715
State grants		145,918		145,918		173,059		27,141
Charges for services		1,730		1,730		3,183		1,453
Fines and forfeits		-		-		110		110
Interest and rents		5,500		5,500		4,935		(565)
Other revenue		3,300		3,300		3,952		652
Total revenues		362,148		362,148		420,627		58,479
Expenditures:								
Current:								
General government		195,800		213,150		187,114		(26,036)
Public safety		117,711		123,961		123,909		(52)
Public works		175,415		175,415		65,333		(110,082)
Community and economic development		9,215		9,215		7,315		(1,900)
Recreation and culture		21,125		21,125		12,347		(8,778)
Capital outlay		21,750		21,750		11,043		(10,707)
Total expenditures		541,016		564,616		407,061		(157,555)
Excess (deficiency) of								
revenues over expenditures		(178,868)		(202,468)		13,566		216,034
Fund balance, beginning of year, as restated		821,442		821,442		821,442		
Fund balance, end of year	\$	642,574	\$	618,974	\$	835,008	\$	216,034

SPECIAL REVENUE FUND – REFUSE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

						4	Actual
	Budgeted Amounts					Ove	r (Under)
		Original		Final	Actual	Final Budget	
Revenues:							
Charges for services	\$	99,216	\$	99,216	\$ 96,798	\$	(2,418)
Interest and rents		1,100		1,100	1,901		801
Other revenue		2,500		2,500	 3,833		1,333
Total revenues		102,816		102,816	 102,532		(284)
Expenditures:							
Current:							
Public works		102,769		102,769	 87,863		(14,906)
Total expenditures		102,769	_	102,769	 89,462		(13,307)
Excess (deficiency) of							
revenues over expenditures		47		47	13,070		13,023
Fund balance, beginning of year		179,195		179,195	 179,195		
Fund balance, end of year	<u>\$</u>	179,242	\$	179,242	\$ 192,265	\$	13,023

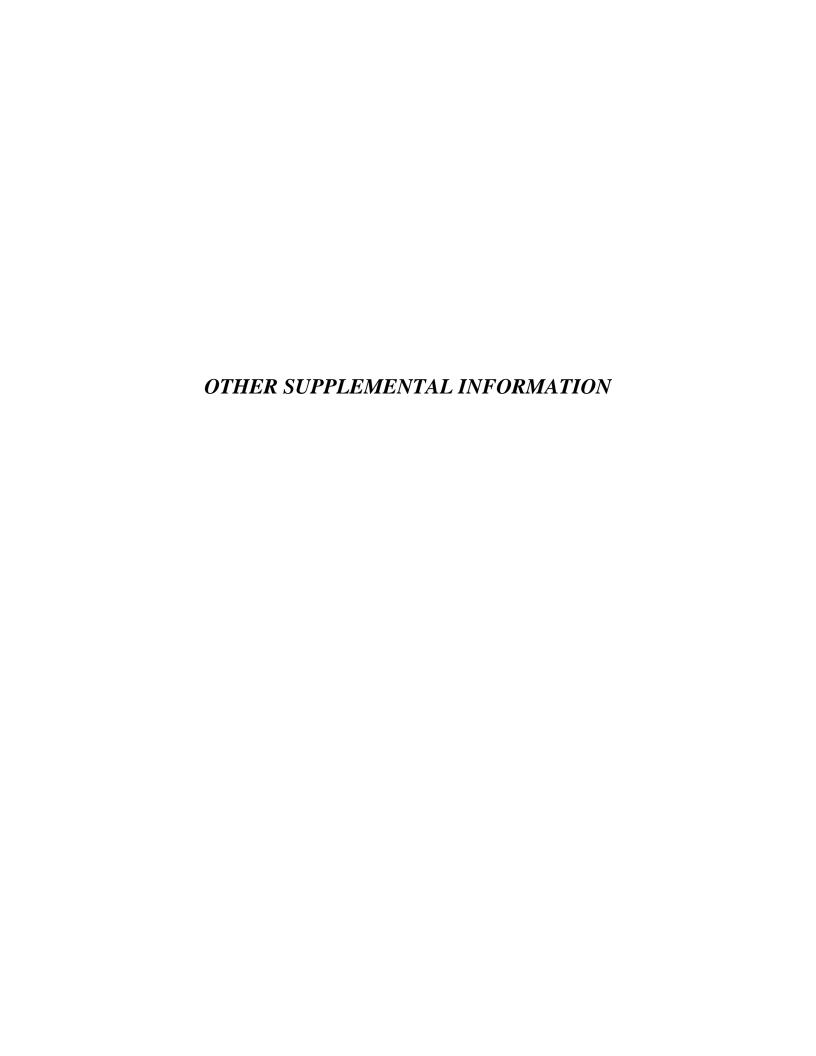
TOWNSHIP OF SWAN CREEK

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

March 31, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunde AAL (UAAL)	d Funded Ratio	Covered Payroll	UAAL as of Percent of Covered Payroll
	а	b	b-a	a/b	c	(b-a)/c
12/31/03	\$ 203,317	\$ 334,173	\$ 130,856	60.84%	\$ 99,863	131.04%
12/31/02	173,409	307,855	134,446	56.33	96,680	139.06
12/31/01	153,199	265,853	112,654	57.62	87,865	128.21
12/31/00	131,978	218,705	86,727	60.35	77,472	111.94
12/31/99	112,915	173,386	60,471	53.55	68,651	88.08
12/31/98	93,265	149,530	56,265	60.33	64,570	87.14
12/31/97	79,250	110,367	31,117	39.26	51,038	60.96



DETAILED STATEMENT OF REVENUES

Year Ended March 31, 2005

REVENUES:

Current Taxes:	
Property taxes	\$ 166,808
Penalties and interest on taxes	1,086
Administration fees	21,829
Payment in lieu of taxes	40
	189,763
Licenses and Permits:	
Business licenses and permits	255
Non-business licenses and permits	28,670
CATV franchise fees	16,700
	45,625
State Grants:	
Liquor license fees	1,018
State revenue sharing – sales tax	164,484
Metro Act	4,147
Summer property tax collection reimbursement	3,410
	173,059
Charges for Services:	
Zoning/variance application fees	2,100
Other	1,083
	3,183
Fines and Forfeitures:	
Ordinance fines	110
Ordinance fines	
	110
Interest and Rents:	
Interest	4,210
Building rental	725
	4,935
Other Revenue:	
Sale of fixed assets	60
Cemetery lots and perpetual care	2,650
Contributions and donations	1,125
Refunds and rebates	67
Other	50
	3,952
Total revenues	\$ 420,627

DETAILED STATEMENT OF EXPENDITURES

For the Year Ended March 31, 2005

EXPENDITURES:

General Go	vernment:
Roard.	

Board:	
Personnel	\$ 3,460
Fringe benefits	264
Transportation	86
Registration, dues, and training	983
Other	28
	4,821
Supervisor:	12.260
Personnel	12,360
Fringe benefits	2,373
	14,733
Clerk:	
Personnel	12,360
Fringe benefits	2,373
Transportation	185
Dues and memberships	75
Registration, dues, and training	730
	15,723
A P.	
Audit: Contracted services	2,000
Contracted services	2,000
	2,000
Board of Review:	
Personnel	526
Fringe benefits	48
Printing and publications	129
	703
General Administration:	
Personnel	39,157
Fringe benefits	7,458
Supplies	3,299
Contracted services	1,547
Telephone	3,332
Travel/mileage	1,189
Dues and memberships	1,653
Conference and travel	1,033
Printing and publications Insurance	1,194 9,125
Utilities	
	4,383
Repairs and maintenance Other	1,216 7
Ouici	
	74,932

DETAILED STATEMENT OF EXPENDITURES, CONTINUED

For the Year Ended March 31, 2005

EXPENDITURES, continued

General Government, continued:

Treasurer:	
Personnel	19,317
Fringe benefits	3,700
Supplies	5,626
Transportation	356
Dues and memberships	85
Conference and travel	780
Printing and publications	169
	30,033
Assessor:	0.975
Contracted services	9,875
	9,875
Elections:	
Personnel	1,066
Fringe benefits	205
Supplies	734
Contracted services	2,434
Transportation	64
Registration, dues, and training	175
Printing and publications	693
	5,371
Building and Grounds:	
Personnel	11,163
Fringe benefits	854
Supplies	748
Contracted services	693
Travel/mileage	28
Repairs and maintenance	5,869
	19,355
Attorney: Contracted services	2,797
Condition Services	2,797
	2,777

DETAILED STATEMENT OF EXPENDITURES, CONTINUED

For the Year Ended March 31, 2005

EXPENDITURES, continued

General Government, continued:	
Cemetery:	
Personnel	3,328
Fringe benefits	255
Supplies	917
Contracted services	893
Printing and publications	32
Repairs and maintenance	1,346
	6,771
Total general government	187,114
Public Safety:	
Liquor Law Enforcement:	
Personnel	1,018
Fringe benefits	196
Supplies	71
	1,285
Fire:	
Contracted services	100,131
	100,131
	100,131
Protective Inspections and Regulations:	
Personnel	19,666
Fringe benefits	2,316
Supplies	58
Telephone	132
Travel/mileage	117
Dues and memberships	100
Education and training	104
	22,493
Total muhlio cofety	122 000
Total public safety	123,909
Public Works:	
Roads:	50 5 02
Contracted services	60,782
Printing and publications	55
	60,837
Drains-Public Benefit:	
Personnel	245
Fringe benefits	16
Contracted services	663
Travel/mileage	200
	1,124

DETAILED STATEMENT OF EXPENDITURES, CONTINUED

For the Year Ended March 31, 2005

EXPENDITURES, continued:

Public Works, continued:	
Street Lighting:	
Utilities	3,373
	3,373
Total public works	65,333
Community and Economic Development	
Planning and Zoning:	
Personnel	3,000
Fringe benefits	263
Supplies	337
Contracted services	2,321
Transportation	86
Registration, dues, and training	821
Printing and publications	487
	7,315
Total community and economic development	7,315
Recreation and Culture:	
Parks and Recreation:	
Personnel	4,754
Fringe benefits	406
Supplies	3,086
Contracted services	2,290
Printing and publications	45
Utilities	389
Repairs and maintenance	1,145
Equipment rental	232
	12,347
Total recreation and culture	12,347
Capital Outlay:	
General government	10,368
Recreation and culture	675
Total and Calcula	
	11,043
Total expenditures	\$ 407,061

TOWNSHIP OF SWAN CREEK

$FIDUCIARY\ FUND-AGENCY\ FUND$

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
Property Tax Collection Fund				
Assets: Cash and cash equivalents	<u>\$ -</u>	\$ 2,186,048	\$ 2,181,926	<u>\$ 4,122</u>
Liabilities: Accounts payable and accrued expenses	\$ -	\$ 2,186,048	\$ 2,181,926	\$ 4,122



60 Harrow Lane Saginaw, Michigan 48603

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MANAGEMENT LETTER

To the Township Board Township of Swan Creek Saginaw County, Michigan

We have completed our audit of the financial statements of the Township of Swan Creek for the year ended March 31, 2005, and have issued our report thereon dated June 2, 2005. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that the transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Swan Creek Township taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

Berchinume & Co.

June 2, 2005